

HENRY GEORGE SCHOOL MAGAZINE

OCT 1956



HENRY GEORGE SCHOOL OF SOCIAL SCIENCE

4 Great Smith Street, Westminster, S.W.1

Tel.: ABBey 6665.

Price: Fourpence

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(Edited by a panel of Tutors)

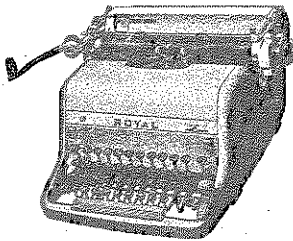
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Volume 5, Number 10.

October, 1956

Editorial



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The purpose of the School Magazine is to provide articles, news and comments dealing with political, social and economic matters as an extension of the study classes of the School; to expound the first principles of economic science and social justice and show their validity, relevance and significance when related to current economic problems; to sustain interest among ex-students and to inspire participation in the School's work.

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Free Trade is in the news - or perhaps we should write it "Free" Trade, so that we start with no illusions. The Conservative Party appears to be about to embrace some Free Trade principles, for there has been talk of the likelihood of Great Britain associating herself with the European Free Trade Scheme. Although it is too early to forecast what the outcome of the Government's deliberations will be, it is interesting to examine some of the ideas involved in the proposal and to enjoy the somewhat unusual experience of hearing traditional protectionists using free trade arguments - for that is what they are beginning to do whatever reservations they may have in mind. But we must not be too hasty in assuming that the protectionist leopard has changed his spots. Whatever aspects of free trade are embodied in future government policy, no doubt they will be the outcome of expediency - action forced upon them by world events, and not arising from any change of heart or mind.

The proposal to establish a free trade area within Europe also involves a Customs Union to maintain tariff barriers against the rest of the world. This means that Great Britain, unless she herself becomes part of this group, will be left out in the cold as far as her exports to European countries are concerned. This puts Great Britain 'on the spot' so to speak, and this difficulty was emphasised by

Mr. Macmillan at the Conservative Party Conference on October 12th. He stated that if Britain's choice lay between joining the proposed Customs Union (with a collapse of the preference now given to Commonwealth imports), and staying outside (with the loss of the European market for our exports), she would choose the Commonwealth. The Government, he said, was looking for some form of association with the proposed Scheme which would avoid the "dangers" and grasp the "opportunities". A compromise was sought whereby a wider European Free Trade Scheme could be created, by some means incorporating Empire Preference and, most important of all, embodying the absolute condition that agricultural products (including manufactured feeding stuffs, drink and tobacco) be excluded from any free trading scheme introduced.

This does not sound like free trade as understood by those who have advocated it steadfastly in the teeth of prejudice and what might almost be described as a conspiracy of silence. In political and economic circles, where the words have not been actually taboo, they have been used only with qualifications such as "planned" free trade, or corruptions such as "freer" trade. Today, and perhaps only for a short time, the ideas of free trade are once again respectable and no-one need fear ostracism by including such words in their vocabulary.

In a recent "Any Questions" session on the radio when the matter of European Customs Union was discussed, there was astonishing unanimity on the basic principles of free trade with everyone falling over, as it were, to associate himself with this "new idea". There were qualifications of course - enough to make a genuine free trader squirm - but education of this kind however brief and imperfect is welcome. The thin edge of the wedge must come first.

Some important questions should be answered before anyone can begin to assess the pros and cons of a European Customs Union. In spite of the advantages of inter-European trade free from the shackles of customs duties, the price which might have to be paid in terms of a high tariff wall around the whole of Europe could well be too high. How high will the proposed tariff wall be? How high will individual European countries have to raise some of their tariffs in order to level off the top of the wall? How low are individual European countries prepared to lower particular tariffs against the rest of the world if a compromise over the levelling-down process is demanded? The main tariff wall must be uniform for all countries in the Union, for without it motor cars on a low tariff could come in from America to, say, France and then be sold (through the back door) to, say, Belgium whose tariff against American cars might be much higher if bought direct. These questions must be answered before blindly welcoming the "new era of free trade". The interests of exporters, home producers, and consumers are not identical - far from it, they are more often opposed - and it is in the divergence of these interests that the roots of protectionist theory are to be found.

Dark Ages of the 20th. Century

By permission of the publishers (Longmans, Green), we reprint R.W. Jepson's challenging statement which forms the introduction to his book, "Clear Thinking" (latest edition - 1954, 8s). This article reflects the outlook of the school : read it twice, then pass it on for others to read and think upon.

Scientific investigators, often in the teeth of ignorance, suspicion, prejudice and even persecution, have by their labours and researches during the last three centuries immeasurably increased our knowledge of the resources and powers of Nature. Moreover, this knowledge has been ingeniously and practically applied to the service of mankind to such a wide extent that no man, Easterner or Westerner, can fail to be impressed when confronted with such a record of solid and steadily accumulative achievement. There is no need to labour the point: we have become so accustomed to the rapidity of material progress that we have ceased to wonder at it.

But the knowledge of man, of the springs of his conduct, of his relations to his fellow-men singly or in groups, and the felicitous regulation of human intercourse in the interests of harmony, fairness and peace of mind have made no such advance. Workers in the field of Natural Science have overcome the opposition of ignorance, suspicion and prejudice; but these forces still block the way to progress in the Social Sciences. In our international relations, in politics - the science of government, in economics - the science dealing with the production and distribution of the endless variety of wealth made possible by our progress in natural science - in education, in religion, in all these departments of life where we have to deal with our fellow human beings, and not with machines, the progress made has not been worth the name - it has been a mere muddling through. Ignorance, suspicion and prejudice are still rife: and when we watch the efforts made in some quarters of the western world to reorganise human relationships to fit new conditions, we may well wonder whether such progress as we have made is not an illusion, and whether the methods employed do not belong more to the Dark Ages than to the twentieth century.

The annihilation of space and time, and the enormously increased productivity of Nature - to name but two of the results of recent achievement in the domain of natural science - have brought with them problems which still await solution. We have still to discover how best to effect an equitable distribution of the products of industry and agriculture, how to tackle unemployment, how to provide for the increased leisure which mechanical efficiency makes possible, how to treat the insane and the criminal, how to organise education. In the

international field, the problems of "disarmament" and "security", untrammelled trade and commerce, the "freedom" of the seas, and many others - the legacies of a bad war and a worse peace - appear to be no nearer a solution.

Our material progress has outstripped our mental progress. It is not that we have made no attempt to deal with the problems that beset us; but we have not, so to speak, overhauled our mental equipment before doing so. It is no doubt a painful process, but we have lacked the energy and courage to face it. Perhaps it is not to be wondered at that we have shrunk from the task, seeing that the obstacles to be overcome are far more numerous and formidable than those successfully faced and surmounted by scientists in their pursuit of truth; human affairs are far more intricate and perplexing than atoms or molecules; and it is far easier to scrap, say, the traditional design of a ship or a vehicle than to scrap a habit of mind or a firm conviction or a cherished belief. Even in the course of mechanical invention, innovators have, on the one hand, found it difficult to break away from tradition and convention - the old design of a horse carriage remained long after a new motive power had been discovered - and, on the other hand, they have had to contend with vested interests, prejudice and shortsightedness. How much more difficult is it to get rid of this "inertia of

stupidity" as it has been aptly termed, and ignorant, short-sighted and interested opposition, when innovation in ideas and modes of thought is suggested!

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THE EDITORS INVITE

ARTICLES AND LETTERS

FROM READERS

(Relevant news-cuttings

also welcomed)

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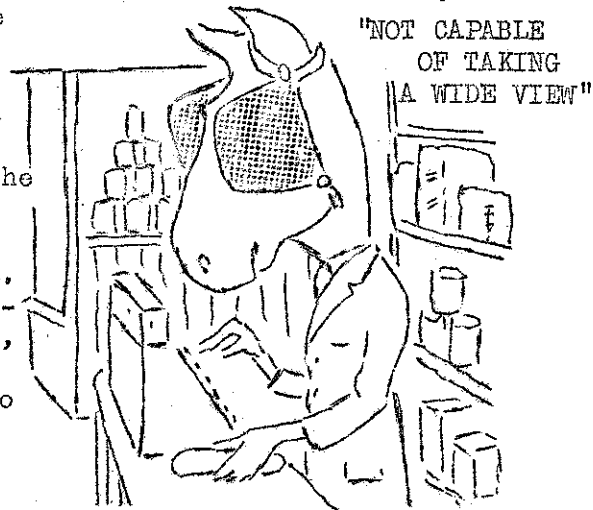
One of the ways in which we may hope to solve the political, social and economic problems that confront us is to reform our minds; and to examine these problems in the same critical, disinterested and unprejudiced attitude in which scientific men have carried out their labours and researches and reported the results of them to the world. We want more honest and purposive thinking and the results of it expressed in clearer and unequivocal speech and writing.

In thus first emphasising the need for honest thinking, I have not forgotten that it will all be of no avail if the will and desire for reform are not present. There is no place, we are told, for emotion in honest and clear thinking. True, emotion cannot take the place of thought, but it can stimulate, inspire and clarify thought, if the emotion be noble. All great reformers, men like Wesley, Howard, Wilberforce, Shaftesbury, were inspired by a noble passion: with love for their fellow-men, hope of establishing the Kingdom of God "on earth, as it is in Heaven," and a faith that could "remove mountains." A

modern philosopher says: "Men fear thought as they fear nothing else on earth." If that is so, then we lack that "perfect love", which "casteth out fear." The "thinking" of the European politicians and economists who sat round the council table at Versailles would have been much less muddled, if they had all been inspired with the noble emotion of unselfishness instead of the base emotion of self-interest, and if they had not been compelled to contend with prejudices in the peoples they represented - prejudices which they themselves and a servile Press had taken no small part in arousing.

When we are confronted with perplexing problems in our social and political life, how often do we hear the man in the street exclaim:

"What we want is the practical man; the man of action; oh, for a government of 'business' men!" But apart from the fact that often the so-called practical or business man's experience may be in a limited field, and that he is often the last man capable of taking a wide view, he too has to think; to be faced with any problem is to be compelled to think. And it does not matter whether the problem is a practical or a theoretical one, the thinking process is just the same. We need the practical man no less and no more than the theorist; and there is no point in trying to discriminate between them. The distinction that needs to be drawn is between idle dreaming and purposive thinking. Purposive thinking is that which is directed towards the solution of any problem, practical or theoretical. Idle dreaming accomplishes nothing.



It is clear, I hope, that I am not disparaging the practical man; but in this country especially the "theorist" has usually received much undeserved abuse and derision, while the "practical" man has been held up as a paragon, and his opinions accepted with credulity. I am only attempting to redress the balance. The conclusions of the theorist, if well-founded, deserve to be accepted as willingly as those of the practical man. Too often do we come across people who will assent to all the reasoning of the theorist, and then coolly remark that it may be theoretically true, but is practically false; like the boy who, having gone through and seemingly understood Euclid's proof of the Theorem of Pythagoras, remarked to his teacher, "But it really isn't true, is it, Sir?" If a theory fails in practice, then we should condemn it, not for being a theory, but for being an unsound one.

Lastly, we often hear it said that all our problems can be solved with a little common sense. This is true enough, as long as we do not confuse common notions with common sense; and many of the people who

profess to order their lives according to the dictates of common sense are really conforming merely to currently accepted modes of thought. The mental processes, by which the scientific results referred to earlier in this chapter have been attained, are not rare, uncommon or abstruse processes peculiar to the scientific mind, but differ in degree only, not in kind, from those practised by every one of us in the humblest and meanest affairs of life. What is called scientific method is merely trained and organised common sense.

That process of induction and deduction by which a woman finding an ink stain upon her frock concludes that someone has upset the ink-stand upon it, does not differ, in kind, from that by which Adams and leverrier discovered a new planet.

Our first task, therefore, is to examine and analyse the mental processes of scientific method; to learn a little of how the mind works; how knowledge is acquired and widened; how judgments are formed and how they should be applied; and how mistakes are made - in other words, the mental processes of common sense; and in the course of this examination and analysis we shall find ourselves learning a little of psychology and logic - perhaps with as much surprise as M. Jourdain, in Molière's "Le Bourgeois Gentilhomme", exhibited when he discovered that he had been all his life talking prose!

But a knowledge of logic will defeat the object we have in view, if it is used merely to find arguments to justify our present judgments, instead of to find out whether our judgments are securely founded on fact, or are only the results of personal preference or prejudices. Prejudice is a far more serious obstacle to overcome than illogicality, because our own personal feelings are involved. Where the topic of



controversy is academic, or remote from us, where the issue of it will not affect our pride or our pockets or any other "tender spots", we can be trusted to consider the pros and cons detachedly, to weigh them impartially and to test the processes of argument logically. But when consciously or unconsciously we have already made up our minds, i.e., prejudged the matter, then our "reasoning" is merely a "rationalising" process, and does not contribute at all to honest enlightenment. Prejudices arise from feelings and emotions, good and bad, noble and base. We have already seen how valuable, in fact, how indispensable, feelings and emotions are which

really stimulate and inspire us to discover the truth. In our treatment of prejudice we shall consider what are the harmful, misleading and

illegitimate uses of emotion in argument.

The next formidable obstacle to honest thinking is laziness - the reluctance to face "the insupportable fatigue of thought." For thinking is a painful process: it requires effort. How easy it is for us to take the line of least resistance and allow others to do the thinking for us! How much easier it is to fall in with accepted opinion than to question it! Hence is derived the tendency to accept without question whatever one sees in print, or the expressed opinions of so-called "authorities"; hence the credulity of the masses, their impressionability and susceptibility to suggestion. How fatally easy it is to succumb to the cleverly worded advertisement, the sophistries of the quack, the catchphrases of the politician, the "slogans" and axe-grinding propaganda of the popular Press!

And thus we are brought naturally to the last obstacle - language. The English language is perhaps the richest and the most elastic and adaptable in the world; but even so, it is inadequate to express our thoughts, far more our emotions. How often differences arise merely through the misunderstandings of words and phrases! How easy to be misled by ambiguities! Again, words have their difficulties: besides their currently accepted or "dictionary" meanings, they often carry with them associations, an atmosphere or "aura", difficult to define in exact terms. Words with relative significance, i.e., words which chameleon-like take colour from their surroundings or context, are frequently used absolutely in a vague and misleading sense. Other words carry with them not only a meaning, but also a feeling of approval or disapproval in varying degrees of strength: they have an emotional value and, as such, arouse prejudice. Words, too, can be used to conceal or disguise thought, not to elucidate it. There is, again, a fascination about some words: they weave a magic spell, legitimate in the realm of poetic fancy, but dangerous in the sphere of cold thought. Such is the power of words, that frequently men will accept as an explanation of a difficulty a mere statement of it in other words! And it is a common form of self-deception to imagine that, because we are familiar with, and constantly use, a word or phrase, we are also familiar with what it represents. Familiar acquaintance with a term is perpetually mistaken for accurate knowledge of its implications.

I have said little about the capital difficulty of conveying our thoughts, opinions and judgments in clear and precise and concise speech or writing. But the processes of thinking and speaking are so closely connected as to be almost inseparable. Accuracy of observation and clarity of thought are generally accompanied by clarity and accuracy in language: and muddled writing is nearly always the result of muddled thinking.

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CONTEMPORARY COMMENTS

LIBERALS ON THE TRAIL

Lord Grantchester, speaking at the Liberal Party Assembly at Folkestone on the 28th September, said that the Government had increased the issue of bank-notes and Treasury bills several times since 1952 and a rise in prices had been inevitable. He demanded that the Government should only spend what it raised in taxation or by loans on the market from willing subscribers. It should also restore the independence of the Bank of England and the right of every citizen to buy gold in the free market; this last was a very salutary check to inflation.

- Manchester Guardian, 9th October.

WRONG TAX METHOD MAKES "LIARS AND CHEATS"

The income tax rates set the rewards for evasion so high that the basic honesty of the people is sorely tested. Former Collector of Internal Revenue, T. Coleman Andrews, recently proposed the complete abolition of the federal income tax. Andrews, when he was collector, found out firsthand how discriminatory, how unfair and how dangerous to economic liberty this tax has been. In trying to enforce its complex and punitive provisions, he ran into many cases of deliberate or inadvertent evasion. He said on a radio programme a month ago that the present progression of personal income tax rates is "the greatest potential that anyone has ever thought of for making out of us a nation of liars and cheats."

- The Freeman, U.S.A.

NOT IN THE STARS

I get fed up with astrological parlance when I observe people studying their charts to find a way out of illness, poverty, vice or whatever it may be. To me it seems like a sorry attempt to exploit the stars. We talk about fate as if it were something visited upon us; we forget that we create our fate every day we live. And by fate I mean the woes that beset us, which are merely the effects of causes which are not nearly so mysterious as we pretend. Most of the ills we suffer from are directly traceable to our own behaviour. Man is not suffering from the ravages wrought by earthquakes and volcanoes, by tornadoes and tidal waves; he is suffering from his own misdeeds, his own foolishness, his own ignorance and disregard of natural laws.

Henry Miller, from "A Devil in Paradise"

FREE TRADE FOR SOME

The more that is revealed about the projected West European supermarket the less attractive it looks to the West European shopper. It might do us good as a nation, but individuals may be sadly disappointed. There are two

main reasons why citizens can never benefit as much as industries from free trade with the Continent. The first is that agricultural products will be excluded from any agreement that this Government intends to make; and agricultural produce includes not only Parma ham but wine, brandy and tobacco. The second is that Governments so far concerned seem to be insisting in the most tiresome way on their right to levy Excise duties. Excise duties have been defined as duties that apply to all products sold in any one country regardless of their origin. Purchase tax, sadly enough, is an excise duty and so are the taxes on beer and tobacco. - Manchester Guardian, 15th October.

BEYOND DISPUTE It is unfortunately beyond dispute that in a country where a general protective tariff exists persons may be found to take advantage of the protection and within its walls form combinations that may work to the public disadvantage.

- Lord Atkin, in Proprietary Trade Association versus Attorney General for Canada, 1931. Appeal Cases, P.326

THE POUND IN DISGRACE The advantages of buying ordinary shares in a time of inflation are obvious. The inevitable ingredient of risk is outweighed by the advantage of the investment being linked not with the declining value of money but with physical assets which will appreciate in money terms. The steady switch since the war from fixed-interest stocks to equities - even by such ancient institutions as the Church Commissioners - is a natural result of inflation. But many trust funds are still prevented from making the switch by the law which restricts them to "trustee stocks" which by definition are fixed-interest securities.

- Manchester Guardian, 8th October.

MINISTRY OF WASTE Last year the Ministry of Agriculture increased its staff with additions from the Ministry of Food, which it had swallowed, to no fewer than 17,209 officials. They spent the astounding sum of £1,147,750 on travelling expenses alone from 1st April 1955 to 31st March 1956. The Minister, Mr. Heathcoat Amory, has admitted that the paid staff of his County Agriculture Committees in 1955-56 averaged 4,500. Yet we are constantly assured that these committees work largely on a voluntary basis. They cost £2,363,605 in wages. You foot the bill. On top of that a smug little army of 2,440 self-styled "advisers" and "education experts" cost £2,054,607 in wages.

- J. Wentworth Day, Evening News, 8th August.

PARSON ON THE TRAIL A member of my church bought a piece of derelict and unproductive land some time ago and turned it into a garden caravan site of great beauty. For this his rates have been increased from £5 to £85. Is there not something wrong with a system which penalises such industry and initiative? Should not rewards be given to those who improve and penalties imposed on those who are able but do not? Surely this is one way to encourage the improvement of men's characters and society. Rev. G.F. Sandfield, in a letter to the Daily Telegraph, 8th October 1956.

The World Our Textbook

LAND,
FOOD AND
POPULATION

In "Geography of Hunger" (1952) Dr. Josué de Castro says:

"Two schools of thought about world hunger are, in my opinion really dangerous to the future of humanity, because they falsify the social reality of the problem. One theory attempts to prove that famine is a natural and incurable phenomenon; the other offers as our only salvation a forced reduction in the world's birth rate ...

"The contention that famine results from a kind of natural law has no basis in scientific knowledge. Analysis of certain fundamental statistics will show how artificial that notion is: The oceans cover 71 per cent of the surface of the earth, and the remaining 29 per cent is the solid part of our planet. This land covers an area of about 56 million square miles, of which 30 per cent is forested, grassy plains are 20 per cent, 18 per cent is mountains and 32 per cent desert, either torrid or polar. According to Robert Salter and Homer Shantz, specialists of the United States Department of Agriculture, only 25 million square miles - half of the land surface of the planet - can be agriculturally exploited by present methods of soil utilisation. Desert and mountainous regions are not considered arable, although lately there have been notable triumphs of agricultural technique in such areas. Yet this conservative calculation gives mankind some 16 billion acres to cultivate, or 8 acres per individual of our present world population.

"Authorities on agriculture and nutrition, studying the correlation of area cultivated and food supply in the light of modern knowledge of nutrition, have estimated that about 2 acres per person will supply the indispensable elements of a rational diet. Cultivation according to that ratio would use one-fourth of the world's arable land. As yet, the area cultivated has not reached 2 billion acres, an eighth of the earth's natural possibilities. Clearly, hunger and famine do not result from any natural law...

"Another alarmist idea with no basis in fact is that food production cannot be increased because we have reached the practical limits of soil utilisation as well as of human saturation. The facts are, first, that of the 50 per cent of the globe's soil which can be cultivated, only 10 per cent is being used; and second, that production per acre in most of the world could be greatly increased by rational agricultural practices."

L. Dudley Stamp, in "Our undeveloped World" (Faber and Faber, 1953) poses the question "What population can or could the world support?" He estimates that "The area of the world at present cultivated could support, if fully farmed by known methods, at least 3,000,000,000 people on an adequate nutritional standard. If the lands at present unused or in-

adequately used could be brought into production on the same basis, potential world population climbs to over the 10,000,000,000 mark."

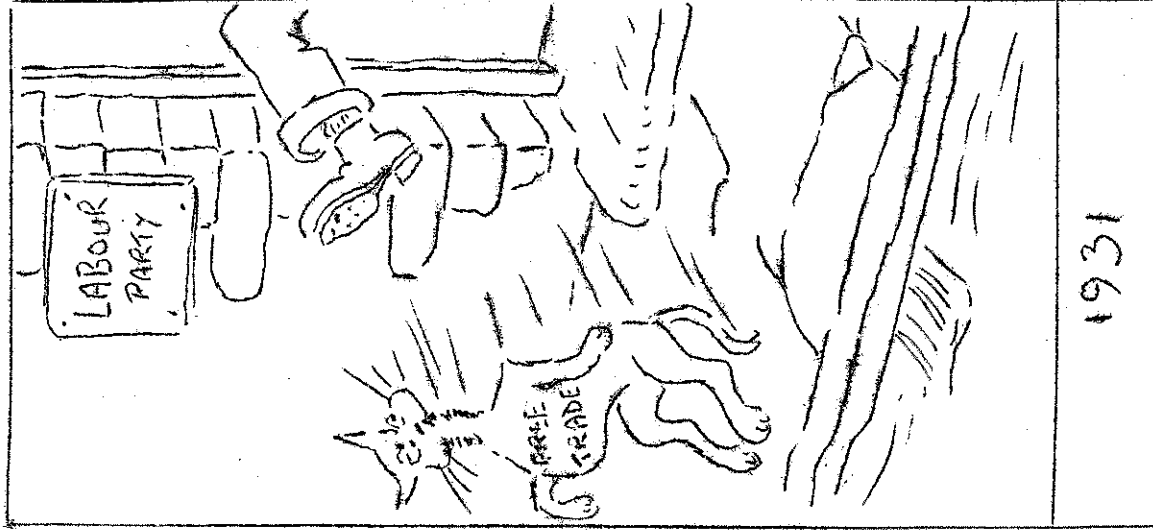
An indication of where some of these unused and underused resources are located is given in a United Nations publication on "Defects in Agrarian Structure as Obstacles to Economic Development" (Dept. of Economic Affairs, July 1951). The figures showing CULTIVATED AREA as a percentage of CULTIVABLE AREA are particularly interesting. A few of these figures, relating to the years 1946-1948 are shown below. The figures in brackets indicate density of population per square mile.

Algeria	12.1%	(9)	Kenya	11.8%	(17)
Anglo Egyptian Sudan	2.8%	(7)	Lebanon	41.3%	(300)
Argentina	20.7%	(13)	Liberia	37.8%	(34)
Brazil	10.4%	(14)	Mexico	16.7%	(29)
China	31.9%	(135)	Morocco	49.7%	(60)
Colombia	7.5%	(12)	Pakistan	70.1%	(214)
India	58.7%	(285)	Peru	10.4%	(15)
Iran	23.8%	(20)	Turkey	33.9%	(64)
Japan	68.5%	(493)	Venezuela	40%	(12)

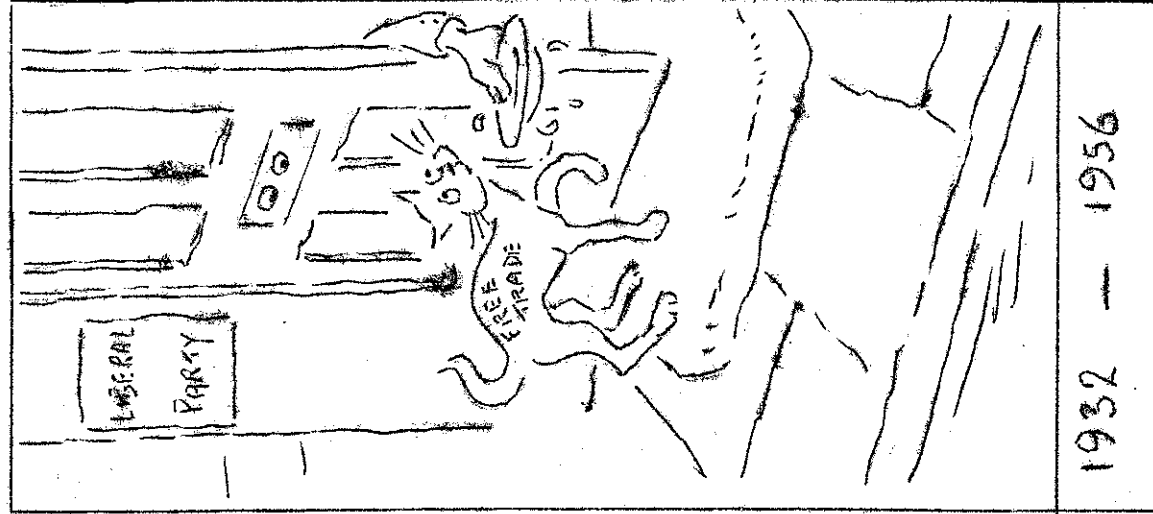
How true it is that we have not reached the practical limits of human saturation may be gauged from the fact that if the whole population of the world were assembled shoulder to shoulder it would occupy the area of the Isle of Wight (147 square miles). Yet how many people believe that war and hunger are inevitable because there are too many of us on this planet!

Dr. de Castro throws out a challenge full of hope when he writes, "The fundamental truth can no longer be concealed from mankind. The world has at its disposal enough resources to provide an adequate diet for everybody, everywhere. And if many of the Guests on this earth have not yet been called to the table, it is because all known civilisations, including our own, have been organised on a basis of extreme economic inequality."

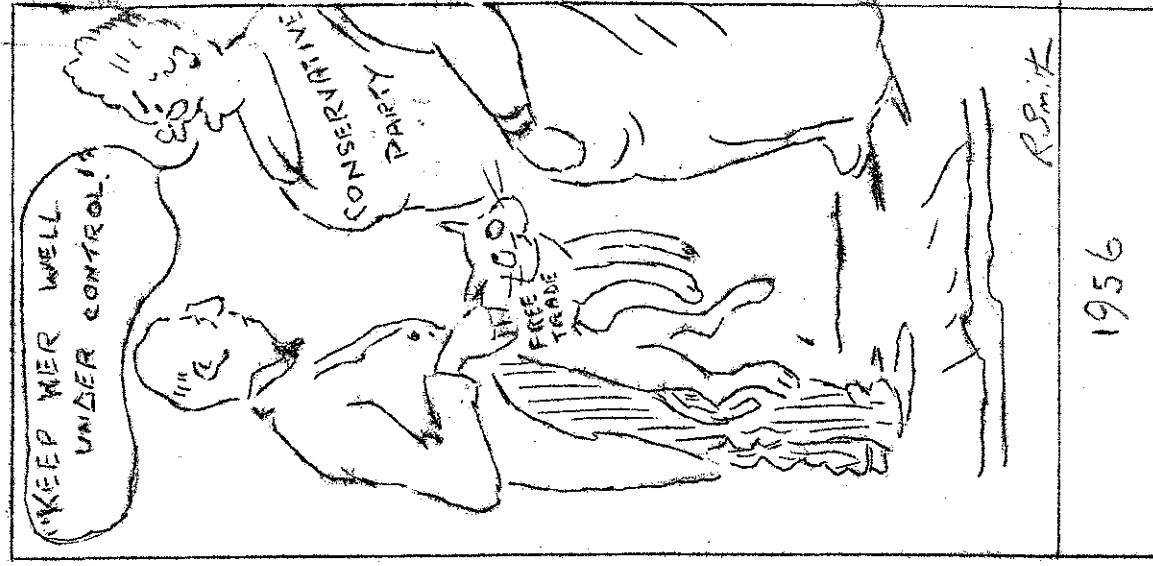
That extreme inequality has its roots in the ownership of land by the few which condemn the many to hunger amidst potential plenty. Various proposals have been made to secure to men their equal rights in the bounty of nature, but none satisfy the ethics and economics of the problem as does the proposal of Henry George to collect the rent of land for public revenue. In his own words: "Tax land values all you please up to the point of taking the full annual value - up to the point of making mere ownership in land utterly unprofitable, so that no one will want merely to own land - what will be the result? Simply that the land will become valueless to the mere speculator - to the dog in the manger, who wants merely to hold and not to use; to the forestaller, who wants merely to reap where others have sown, to gather to himself the products of labour, without doing labour. Tax land values, and you leave to production its full rewards, and you open to producers natural opportunities."



1931



1932 — 1936



1956

R. Smith

Ill Fares the Land

U.S.A. - ECONOMICS BEDEVILLED BY POLITICS: "It is ominous that more than a third of the country's agricultural exports were moved out in this past year under some form of government help. The devices used by Washington included export subsidies, sales for foreign currency, special credits, barter and donation. At present the Government is holding over a thousand million bushels of both wheat and corn, and over fourteen million bales of cotton.

The Administration has armed itself with a number of emergency devices to raise prices and to increase the amount of Federal Aid to farmers. The question of principle has been deliberately obscured. In the end farm policy will probably continue on the same lines, in the main, regardless of which party wins the election. The problems of surplus disposal, and high price supports, will be active themes of American political controversy for several years to come."

(Manchester Guardian, 2nd October, 1956)

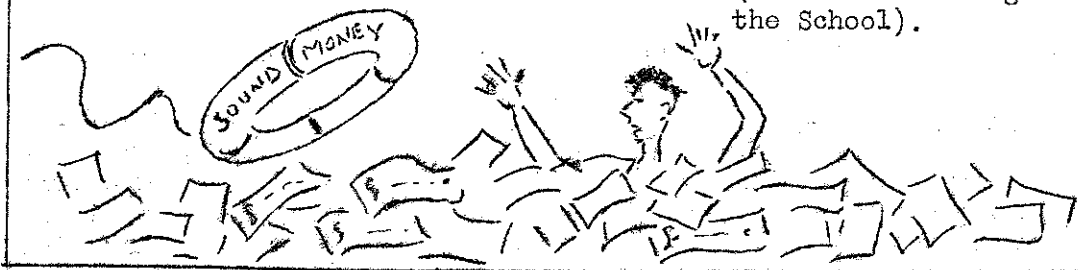
RUSSIA - SHADOW OF HENRY GEORGE: The following is from "A Report on the New Soviet Economy" compiled by Andre Philip, French Socialist Delegate who visited Russia recently to study the State Planning Board. The report was paraphrased in the Manchester Guardian, 7th August, 1956.

"For the individual small holdings the situation seems less certain. There are three different measures. First, the levy proportional to the yield is replaced by a tax based on the areas of the holding, which is the same whatever the yield. Mr. Krushchev himself emphasised the importance of this reform in telling us about a peasant who said to him: "Why didn't you take this decision a month earlier? I wouldn't have cut off half the branches of my fruit trees." This reform will encourage the peasants to grow as much as possible, since they will be able to dispose of their produce on the free market for whatever price they can get for it. The new regulations also allow the size of the small holdings to be increased to as much as one to one and a quarter hectares, according to the region. At the same time the size of small holdings will be linked with the amount of work done on the collective; the general assembly of the farm will have the power to increase or diminish them. This is to avoid what has been happening in the last few years, when the peasants were concentrating on their plots and neglecting the work of the collective."

(One must, of course, see this in perspective and in the context in which the operation is taking place, with particular emphasis on the "collectives". The lesson, however, remains - the laws of political economy are universal. EDS.)

you have been
warned!

Dr. F. Jones looks at
"Fiat Money Inflation
in France" by Andrew
Dickson White, 4s.
(obtainable through
the School).



The monetary inflation which took place in revolutionary France from 1789 to the accession of Napoleon so resembles the grim story of our own age that it is almost incredible, on reading it, to believe that mankind could possibly make the same mistake again with such a sombre and bloody example before it. The story begins with the ministry of Necker who was a financial genius acknowledged by the whole of Europe but who continually had to fight extravagance and waste. As the nation's difficulties became greater, the cry for paper money in the National Assembly also became greater, and finally Necker had to consent to a compromise. It was that notes of 1,000 300 and 200 livres should be issued against the security of the Church lands which were to be confiscated for the purpose. These notes were to bear interest so that the holders would tend to hoard them, while their great value would prevent them from being used as day-to-day currency. The memory of John Law's ruinous policies was still strong enough to cause even the wildest supporter of paper money to proceed cautiously and in 1790 a sum of four hundred million livres only was issued against a security valued at about two thousand million livres.

The new assignats were at once popular and the government paid off part of the National Debt by means of the new currency. But, within five months, the whole sum had been expended and the Treasury was once more in a state of bankruptcy. Specious arguments were then put forward for a new issue. On 27th August 1790 Montesquieu's report reluctantly favoured the issue of additional paper money. It claimed that the first issue had proved successful and though it had its dangers, the position was that "we must save the country". In the National Assembly the deputy Gouy rose and suggested the National Debt be liquidated, (it amounted to 24 hundred millions) and he claimed it could be done "by one single operation, grand, simple, magnificent". Despite Necker's observation that the assignats, (the new issues of paper money) already showed signs of weakening, Rewbell asserted that any depreciation they had suffered was because there were too few, not too many, of them. So that when Boutidoux called the assignats "un papier terre" he was greatly acclaimed. Mirabeau's speech on 27th September finally tipped the scales when he announced that he "would rather have a mortgage on a garden than

a kingdom". The deed was done two days later. A bill was passed which authorized the issue of a further 800 millions but solemnly declared that under no circumstances was the circulation of assignats to be further increased. Although these notes, unlike the first ones, were to bear no interest, France was already on the slippery slopes which lead to rampant inflation. Soon the cry of 'a lack of circulatory medium' broke forth again. The poorer currency had already driven out the better in that silver and copper coins had virtually disappeared, while gold was wholly unprocurable. Now the government was compelled to issue small paper notes to counter-balance the loss of coin, but this only made the currency depreciate further. Each new issue was as a drop of cold water to a parched throat. All sorts



of reasons, except the right ones, were given for the fall in the value of paper money; they ranged from a belief that the Bourbons and the English were secretly undermining public confidence, to the maxim that "coin will continue to rise until the people have hanged a broker". After the honeymoon period of specious prosperity, industry began to suffer. Manufacturing and commerce collapsed and inflation made fearful inroads upon the great fortunes in France. Nobody now knew whether a 100 livres would be worth 80, 70, 60 or even less a month later. Thus, with the fall of honest toil, gambling came into its own. To keep gamblers

happy, further issues of paper had to be made, but, even in December 1791 when yet another 300 millions were being issued, Derisy could still declare that "there is not yet enough money in circulation". Thus a nation of bankrupts formed pressure groups to force the Assembly to satisfy their unquenchable thirst for money.

The facts speak for themselves. By 1791, the value of 100 livres had fallen to that of 68 after an issue of 21 hundred million livres. By 1792, the issue had reached 24 hundred millions and the 100 livres note was worth less than 53 livres. By 1793, the issue had risen to the stupendous figure of 3 thousand millions and the assignats had fallen below 30. Prices rose commensurately and on 28th February 1793 a mob of women plundered shops in the belief that the merchants were making extortionate profits. Order was, in fact, only restored when 7 million francs were issued to buy off the mob. Now the government began to act, and, it must be said, with perfect logic in the circumstances.

First of all there was the forced loan. It was secured on the confiscated lands of emigrants and the amount loaned was to be levied from all married men with incomes of 10 thousand francs and single men with incomes of 6 thousand francs. When this did not bring in enough, the ceiling was lowered and the tax made progressive after the manner of

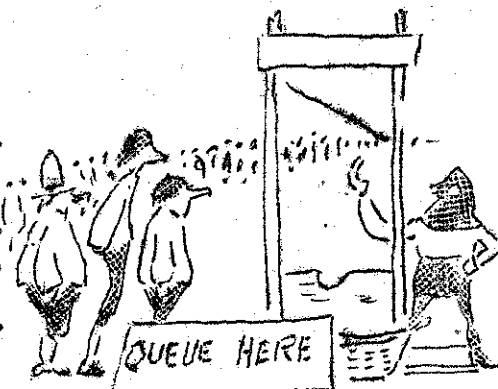
present day income tax. Needless to say, little or no provision was made for repayment. The next measure was the repudiation of all assignats bearing the portrait of the king. This was but a drop in the ocean so that two months later a further 2 thousand millions were issued in francs and, at the end of the year, 5 thousand millions more were authorised. The law of accelerating issue and depreciation can now be seen to be fully in operation. The following table of prices indicates the hurly-burly of inflation:

	<u>1790</u>	<u>1795</u>
A bushel of flour	40 cents	45 dollars
A bushel of coal	7 cents	2 dollars
A pound of sugar	18 cents	12 $\frac{1}{2}$ dollars
A pair of shoes	1 dollar	40 dollars

Such rises in price brought in their wake the law of the Maximum, which, in modern jargon, is price-fixing. The price of each article was to be fixed at one and one-third of its price in 1790. All transport costs were to be fixed as per league. Five per cent was to be added as profit.

Despite the dire penalties threatened, every means was used to evade the law. The farmers brought in as little as they could and the spiv class cornered the markets. The government was forced to resort to a spy system which led the way to blackmail on the largest scale. None-the-less, the lists of guillotine victims convicted for having broken the Maximum laws grew apace. In the confusion that existed, the Convention tried to cut the Gordian knot by threatening anyone found selling assignats at a discount with six years in prison with irons. Later the death penalty was threatened on all who asked, before a bargain was concluded, in what currency he would be paid. Finally under penalty of death, it was forbidden to deal at all in precious metals. By 1795 the

fiduciary issue had reached 10 thousand millions and was still increasing. All sorts of dishonest means were used by the government to bolster up the currency. A ray of hope was seen when business in real estate picked up, but this was merely the "unloading" on to the gullible of worthless notes by the shrewder members of society in return for real assets. And still money poured from the presses to such an extent that the workers at the mint went on strike for more wages in return for their increased output! The end was now near and the stage was set for the advent of the despot. But it does great credit to Napoleon's financial acumen to find that he wrote to his minister: "While I live I shall never



resort to irredeemable paper". The message which this dreadful tale holds for us is at once obvious. The close parallels between the issue of assignats and coming off the gold standard, between the forced loan and post-war credits, between the law of the Maximum and so-called modern price fixing methods, should all remind us of the dangerous path we are treading. Inflation leads to dictatorship by way of abject misery, and the whole burden is eventually borne by the poorer classes who see their wages melt away as soon as they are received. Now that our fiduciary issue has reached an all time record of 2,000 millions, we should take note that the printing press is the last resort of the scoundrel.

THE GREAT SWINDLE
(Henry Hazlitt in
"Newsweek" 25.6.56)

We live in the Age of Inflation. It has become a fixed idea among governments that their paramount economic aim must be to maintain "full employment" by deficit financing, artificially cheap money, or direct recourse to the printing press. Once under way, inflation sets in motion powerful special interests which demand its continuance. For it benefits some groups of the population at the expense of all the rest. Inflation is a tax - the cruellest and most wanton of all taxes. Under it, all creditors are systematically swindled.

The late Lord Keynes in his "General Theory" (page 376) spoke of "the euthanasia of the 'rentier' and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital. Interest today rewards no genuine sacrifice".

But who in the modern world are the creditors, the "rentiers"? They include, in addition to the holders of mortgages and corporate bonds, the thrifty, the small people who put their money in savings deposits or life-insurance policies, and all the owners of government bonds, who were induced to take these bonds for patriotic reasons. And who are the debtors who are being relieved of the allegedly dreadful burden of having to pay interest and repay capital in currency units of the same value as those they borrowed? They include the big corporations, the big holders of common stocks, and the speculators who have learned how and when to jump in and out and exploit the value of a depreciating currency.

In his forthcoming 1956 edition of "Pick's Currency Yearbook", Franz Pick shows the depreciation of 53 currencies in the ten years from 1946 to 1955. This table, shows that the U.S. dollar, the world's monetary pivot, shrank 27 per cent in buying power over the past decade. The British pound sterling lost 35 per cent; the French franc 66 per cent. The currency units of Chile, Paraguay, Bolivia, and Korea had their purchasing power practically wiped out.

The truth is that this shocking swindle by governments of their own citizens was brought about in most cases by deliberate monetary or credit inflation. And it was all done under the pious plea that inflation is the result of a calamity visited on a country by malevolent outside forces, which the politicians and monetary managers profess to be incessantly combatting.

Where Pathways Meet

Modern astronomers are still proud of the achievement of the two members of their profession, one an Englishman, the other a Frenchman, who discovered the planet Neptune. The two had worked on the solution of an astronomical problem entirely independent of and not knowing each other. Each had observed certain movements of the planet Uranus which they reasoned must result from the presence of another planet so far out in space that it could not be seen even through the telescope. Through a process of logical reasoning both were able to determine the position of the unseen planet and just when its motion would bring it to a point within telescopic range. If anyone tried to discredit their conclusion by telling them that if there actually was such a planet in existence it would have been discovered long before, the records are silent on the subject. Neither is there any record that anyone who heard the arguments of either one, being unable to disprove their reasoning, nevertheless expressed his dissent from the conclusion on the ground that it was merely a "Utopian theory". But this may be explained on the ground that the discovery in no way interfered with any unjust privilege held by some powerful financial interest. If it had, there would probably be professors of astronomy in certain universities today engaged in misinforming their students in regard to this discovery.

About a third of a century after the astronomical discovery was made, two investigators in another scientific field, the science of Political Economy, sought and found the solution of a different problem, more perplexing than the astronomical one and of far greater importance to the human race; the problem of why poverty persists in the midst of plenty.

One of these investigators was an American, the other an Irishman. The former was Henry George, the latter Thomas Molyneux, Bishop of Meath, Ireland. The one published the result of his investigation in a book entitled "Progress and Poverty". The other published his in the form of a Letter to the clergy and laity of his Diocese. Neither knew concerning the existence of the other until some time after their works had been published. This was not merely an illustration

of the old saying that "great minds run in the same channel." In the case of each it was a verification of the logic used and the conclusion arrived at by the other.

But the great truth these two scientists have made clear has not found such ready acceptance as did the astronomical discovery. Powerful interests that thrive on poverty-breeding conditions have tried and are still trying to keep the people in ignorance concerning it. The press controlled by these interests habitually misrepresents the nature of the facts that Bishop Nulty and Henry George have brought to the attention of the world. Fortunately in spite of all these efforts to keep the people in darkness the principle advocated by these two great men is gaining adherents each day. The interests may postpone for a little while, but they cannot prevent the final triumph of truth.

SAMUEL DANZIGER

Biographical Note:

Dr. Thomas Nulty - Bishop of Meath, Ireland, 1864-1894 - was born at Oldecastle, County Meath, in 1816, and died on 28th December 1898. Dr. Nulty was an ardent student of Political Economy and Social Science, and he set before his priests a high intellectual standard. He even found time from his heavy duties to engage in scientific research, and attained much skill in chemistry and mechanical and electrical engineering. But he is best remembered for his intense patriotism and his labours on behalf of the Irish peasantry. At his death in 1898, "The Nation", Dublin, said of him: "No prelate of the Church in this country has ever rendered more loyal and unflinching service in the cause of Patriotism, of Right, of Truth and Justice, than did this holy and learned ecclesiastic."

On the same occasion the London "Times", while giving credit to Dr. Nulty's warm and generous temperament, said: "His public conduct was marked by arrogance and obstinacy, his theories were Communistic, and he supported Henry George's Land Nationalisation scheme." But Bishop Nulty and Henry George did not advocate Land Nationalisation, but that the Land Rent be used to meet the cost of Government and social services, and Dr. Nulty was preparing a pamphlet against Socialism and Communism when death intervened. Dr. Nulty's "Arrogance" so-called consisted in stating his views on Irish affairs forcefully and with assurance.

He did not attack individual landlords, but Landlordism as he saw it in operation in Ireland. He fought strenuously to overthrow the system and to give the tenantry a foothold on their native soil. As the Dublin "Freeman's Journal" put it: "In the fight to better conditions for the peasantry, Dr. Nulty took off his coat." It might be added that, in that regard, he never put it on again. While his essay, "Back to the Land" deals largely with Irish conditions, Dr. Nulty's main proposal - the collection of the Rent of Land to meet the cost of Social Services - applies to every country. The case for Ireland is the case for the world. Thus, "Back to the Land" is commended to readers everywhere. (price 6d. from School).

P.J. LARKHAM

New World Now

But you Thomas Jefferson,
You could not lie so still,
You could not bear the weight of stone
On the quiet hill.

You could not keep your green grown peace,
Nor hold your folded hands,
If you could see your new world now
Your new sweet land.

There was a time, Tom Jefferson,
When freedom made free men,
The new found earth and the new free mind
Were brothers then.

There was a time when tyrants feared,
The new world of the free,
Now freedom is afraid and shrieks
At tyranny.

What's changed is freedom in this age,
What great men dared to choose,
Small men now dare neither win
Nor lose.

Freedom that was a thing to use,
They've made a thing to save,
And staked it in and fenced it round
Like a dead man's grave.

You, Thomas Jefferson,
You could not lie so still,
You could not bear the weight of stone
On your green hill.

You could not hold your angry tongue,
If you could see how bold,
The old stale bitter world plays now -
And the new world old.

From "Act Five and Other Poems"
by Archibald Mac Leish.